



**ORIGINAL**  
Federal Communications Commission  
Washington, D.C. 20554  
SEP 01 1998

Division  
98-02906  
CC DKT 96-45

EX PARTE OR LATE FILED

Mr. Thomas G. Rose  
President  
Coin Phone Management Company  
1846 Cargo Court  
Louisville, KY 40299

RECEIVED

SEP 18 1998

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

Dear Mr. Rose:

Thank you for your letter to the Senator Connie Mack regarding contributions to the universal service support mechanisms from payphone service providers (PSPs).

As you know, on May 7, 1997, the Commission adopted an Order to implement the Federal-State Joint Board's recommendations on universal service as required by the Telecommunications Act of 1996 (1996 Act). The Commission established universal service support mechanisms that fulfill Congress's goal, as stated in Section 254 of the 1996 Act, of ensuring that affordable, quality telecommunications services are available to all American consumers, including low income consumers and those located in high cost, rural, and insular areas. Universal service support for carriers serving high cost areas and for low income consumers has been provided for decades. In the 1996 Act, Congress expanded universal service goals to ensure the nation's classrooms and libraries receive access to the vast array of educational resources that are accessible through the telecommunications network. These support systems also will link health care providers located in rural areas to urban medical centers so that patients living in rural America will have access, through the telecommunications network, to the same advanced diagnostic and other medical services that are available in urban communities.

In the 1996 Act, Congress required all telecommunications carriers that provide interstate telecommunications services to contribute on an equitable and nondiscriminatory basis to universal service. The Commission implemented this statutory provision by requiring all such telecommunications carriers to contribute to the universal service support mechanisms. Neither Congress, nor the Commission, requires such carriers to pass this contribution on to their customers. To the contrary, carriers decide how and to what extent they recover their contributions. Carriers, however, may not mislead customers as to how they recover contributions and may only recover an equitable share from any particular customer.

Underlying carriers that provide service to PSPs that contribute directly to the universal service support mechanisms should not include revenue derived from the PSPs in their contribution base. Because the underlying carriers do not have to contribute on the

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Mr. Thomas G. Rose

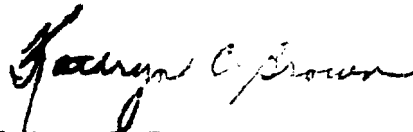
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basis of revenues from the PSPs, they should not be passing through to those PSPs their contribution obligation. Rather, the PSPs are contributing on the basis of revenues from their end-user customers, and may pass on their contribution obligation to their customers. As to the Petition for Reconsideration filed by the American Public Communications Council that Mr. Rose mentioned in his letter, that petition is pending before the Commission.

The Commission is monitoring the universal service support mechanisms and their impact on telephone ratepayers. This issue will be carefully reviewed as the support mechanisms are administered.

Your letter has been placed in the official public record of the universal service proceeding (CC Docket No. 96-45). I appreciate your interest and views on these important issues.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kathryn C. Brown".

Kathryn C. Brown  
Chief  
Common Carrier Bureau

cc: The Honorable Connie Mack

CONNIE MACK  
FLORIDA

# United States Senate

WASHINGTON, DC 20510-0904

CCB  
cc Jaeger  
2906

March 31, 1998

Ms. Karen Kornbluh  
Director  
Office Of Legislative and Intergovernmental Affairs  
Federal Communications Commission  
Room 808  
1919 M Street, N.W.  
Washington, D.C. 20554

Dear Ms. Kornbluh:

Enclosed please find correspondence from Mr. Thomas G. Rose.

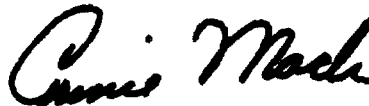
I would greatly appreciate any reply your office can provide regarding this inquiry. You may respond directly to the constituent at the following address:

1846 Cargo Court  
Louisville, KY 40299

Additionally please send a copy of your response to Yann Van Geertruyden at 517 Hart Senate Office Building, Washington, D.C. 20510

Thank you for your time and consideration of this matter

Sincerely yours,



Connie Mack  
United States Senator

CM/yvg

Senator Connie Mack

March 12, 1998

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While the FCC's rules on collecting money for the USF currently include PSPs, my industry trade association -- the American Public Communications Council ("APCC") -- filed a Petition for Reconsideration in July of last year asking the FCC to exempt payphone providers from directly paying into USF because of their unique circumstances. Unfortunately, the FCC has not acted on APCC's Petition. **Therefore, I am requesting that you use your best efforts to encourage the FCC to re-evaluate the hardship its USF rules have created for PSPs and to rule quickly and favorably on APCC's Petition for Reconsideration.** The inequity of the situation must be addressed without any further hesitation and delay, as my company and other payphone providers in your state have already been forced to make excessive payments into the USF.

The solution to this unfair situation is to exempt PSPs from directly contributing into the USF. PSPs contribute their fair share into the USF through the charges LECs and long distance companies pass onto them. **Because PSPs, like the hotels, motels and other types of businesses that resell communications services, are typically small to average sized companies, the administrative burden for the government to collect directly from thousands of PSPs far outweighs any benefits to the USF.** It makes far more sense for the government to collect revenues from the significantly larger LECs and long distance companies and let these companies pass their costs onto PSPs than it does to try and collect directly from such small contributors.

Encouraging the FCC to act on APCC's Petition favorably to ban these double billing practices would also help ensure that PSPs have the ability to continue offering reasonably priced payphone services to state residents and travelers. Passing the USF charge, like long distance companies and LECs can and do, would require that we as payphone providers increase the local coin rates. We do not want to have to impose hardship on all end users of payphones. Yet if the double billing situation is unchanged, payphone providers may be forced to consider that option in order to continue to provide service.

Your efforts on our behalf are greatly appreciated. If you have any questions about payphone operation or this situation, please contact me at the above address and telephone number.

Sincerely,



Thomas G. Rose  
President